

Message Text

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AMEMBASSY BUCHAREST

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REF: A) MOSCOW 1600 B) BUDAPEST 0270

1. SUMMARY: FIRST PUBLISHED SOVIET ADMISSION THAT PRICES FOR OIL, RAW MATERIALS, MANUFACTURED PRODUCTS IN INTRA-CEMA TRADE ARE BEING INCREASED IN 1975, AS WELL AS 1976-80, APPAREARS IN INTERVIEW BY GDR DEPUTY PREMIER GERHARD WEISS PUBLISHED IN A MOSCOW ECONOMIC NEWSLETTER. DEFENSIVE IN TONE, ARTICLE EMPHASIZES THAT GDR WILL CONTINUE TO PAY LESS THAN IT WOULD IN CAPITALIST MARKETS. BUT IT OMITTS WEISS ADMONITION THAT LOW
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CURRENT GDR INTERNAL PRICES -- TO BE MAINTAINED THROUGH

GOVERNMENT SUBSIDIES -- CAN CONTINUE ONLY IF WORKER PRODUCTIVITY INCREASES. END SUMMARY.

2. FIRST CONFIRMATION IN SOVIET PRESS OF PRICE INCREASES FOR OIL AND OTHER PRODUCTS IN INTRA-CEMA TRADE IN 1975 HAS APPEARED IN ECONOMIC-COMMERICAL NEWSLETTER TASS VESTNIK. ARTICLE DATED IN EAST BERLIN QUOTES GDR DEPUTY PRIME MINISTER AND CEMA REPRESENTATIVE GERHARD WEISS AS ANNOUNCING THAT "DUE TO CERTAIN OBJECTIVE REASONS THERE WILL BE AN INCREASE IN PRICES IN TRADE BETWEEN COUNTRIES OF CEMA IN 1975 AND ALSO IN THE PERIOD 1976-80, BUT THESE PRICES WILL NOT BE THE SAME AS PRICES IN CAPITALIST MARKETS."

3. WEISS ADDS THAT 1) COST OF TON OF OIL IMPORTED BY GDR FROM SOVIET UNION DURING PAST YEAR IS ONLY HALF COST OF TON OF OIL SOLD ON CAPITALIST MARKETS; 2) THAT AGREEMENT HAS BEEN REACHED IN CEMA EXECUTIVE COMMITTEE THAT PRICES WILL BE FIXED YEARLY ON BASIS OF WORLD PRICES OVER PAST FIVE YEARS; 3) THAT CONSEQUENTLY PRICE FORMATION IN CEMA COUNTRIES WILL BE BASED BOTH ON RELATIVELY LOW WORLD MARKET PRICES AND ALSO ON YEARS OF HIGH MARKET PRICES.

4. VESTNIK REPLAY OF WEISS'S INTERVIEW CONCLUDES WITH HIS ASSURANCE (TO GDR READERS) THAT RAISING OF INTRA-CEMA FOREIGN TRADE PRICES WILL NOT AFFECT RETAIL PRICES, APARTMENT RENTS OR PAYMENT FOR USE OF PUBLIC TRANSPORT.

GRADUALLY, HE SAYS, A COMPLETELY NEW SYSTEM OF INDUSTRIAL PRICES WILL BE CREATED IN ORDER TO "STIMULATE INTENSIFICATION OF THE ECONOMY."

5. COMMENT: EMBASSY FINDS THIS RATHER OBLIQUE SOVIET ANNOUNCEMENT--NO MENTION OF PRICES HAS SO FAR APPEARED IN ANY OF MAJOR SOVIET NEWSPAPERS--INTERESTING BOTH FOR ITS DEFENSIVE TONE AND ALSO FOR THOSE ELEMENTS IN WEISS INTERVIEW WHICH ARE OMITTED. ACCORDING TO FINANCIAL TIMES LONDON REPORT, WEISS ALSO SAID THAT STATE SUBSIDIES TO COVER HIGHER COSTS OF IMPORTS WILL BE INCREASED TO PROTECT GDR CONSUMERS, BUT THAT PRESENT PRICE LEVELS CANNOT BE MAINTAINED UNLESS WORKER PRODUCTIVITY LIMITED OFFICIAL USE

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INCREASES SHARPLY. TIMES ALSO REPORTS WEISS AS SAYING THAT THE INCREASE IN CEMA PRICES FOR RAW MATERIALS IS HIGHER THAN THAT FOR MANUFACTURED PRODUCTS. STOESEL

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